

READ INSTRUCTIONS CAREFULLY
BEFORE PROCEEDING

FEDERAL COMMUNICATIONS COMMISSION
REMITTANCE ADVICE

APPROVED BY OMB 3060-0589

SPECIAL USE

FCC USE ONLY

(1) LOCKBOX # 358140

PAGE NO. 1 OF 1

SECTION A - PAYER INFORMATION

(2) PAYER NAME (if paying by credit card, enter name exactly as it appears on your card)

U S WEST, Inc.

(3) TOTAL AMOUNT PAID (dollars and cents)

\$ 5,960.00

(4) STREET ADDRESS LINE NO. 1

Suite 700

(5) STREET ADDRESS LINE NO. 2

1020 19th Street, N.W.

(6) CITY

Washington

(7) STATE

DC

(8) ZIP CODE

20036

(9) DAYTIME TELEPHONE NUMBER (include area code)

303-672-2811

(10) COUNTRY CODE (if not in U.S.A.)

IF PAYER NAME AND THE APPLICANT NAME ARE DIFFERENT, COMPLETE SECTION B
IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C)

SECTION B - APPLICANT INFORMATION

(11) APPLICANT NAME (if paying by credit card, enter name exactly as it appears on your card)

(12) STREET ADDRESS LINE NO. 1

(13) STREET ADDRESS LINE NO. 2

(14) CITY

(15) STATE

(16) ZIP CODE

(17) DAYTIME TELEPHONE NUMBER (include area code)

(18) COUNTRY CODE (if not in U.S.A.)

COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEETS (FORM 159-C)

SECTION C - PAYMENT INFORMATION

(19A) FCC CALL SIGN/OTHER ID

(20A) PAYMENT TYPE CODE (PTC)

B E A

(21A) QUANTITY

1

(22A) FEE DUE FOR (PTC) IN BLOCK 20A

\$

FCC USE ONLY

(23A) FCC CODE 1

(24A) FCC CODE 2

(19B) FCC CALL SIGN/OTHER ID

(20B) PAYMENT TYPE CODE (PTC)

(21B) QUANTITY

(22B) FEE DUE FOR (PTC) IN BLOCK 20B

\$

FCC USE ONLY

(23B) FCC CODE 1

(24B) FCC CODE 2

(19C) FCC CALL SIGN/OTHER ID

(20C) PAYMENT TYPE CODE (PTC)

(21C) QUANTITY

(22C) FEE DUE FOR (PTC) IN BLOCK 20C

\$

FCC USE ONLY

(23C) FCC CODE 1

(24C) FCC CODE 2

(19D) FCC CALL SIGN/OTHER ID

(20D) PAYMENT TYPE CODE (PTC)

(21D) QUANTITY

(22D) FEE DUE FOR (PTC) IN BLOCK 20D

\$

FCC USE ONLY

(23D) FCC CODE 1

(24D) FCC CODE 2

SECTION D - TAXPAYER INFORMATION (REQUIRED)

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
Citizens Telecommunications Company)
Of Iowa and U S WEST)
Communications, Inc.)
)
Joint Petition for Waivers of the Definition)
of "Study Area" Contained in Part 36,)
Appendix--Glossary of the Commission's)
Rules)

AAD-

96-45

JOINT PETITION FOR EXPEDITED WAIVERS

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U S WEST COMMUNICATIONS, INC.

Of Counsel,
Dan L. Poole

June 20, 2000

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("U S WEST") AND CITIZENS TELECOMMUNICATIONS
COMPANY OF IOWA ("CITIZENS") TO THE COMMON
CARRIER BUREAU'S LIST OF INFORMATION TO
ACCOMPANY STUDY AREA WAIVER REQUESTS**

ATTACHMENT C MAP

EXHIBIT 1 STATE ORDERS AND LETTERS

SUMMARY

U S WEST Communications, Inc. (“U S WEST”) has agreed to sell 32 of its Iowa exchanges to Citizens Telecommunications Company of Iowa (“Citizens”). These 32 exchanges collectively serve approximately 52,000 access lines. By this Joint Petition for Expedited Waivers (“Petition”), U S WEST seeks a waiver to delete these 32 exchanges (including the de minimis number of Minnesota and Nebraska access lines served by two of these Iowa exchanges) from its Iowa study area.

Citizens seeks a waiver of the study area definition to establish a new study area consisting of the exchanges it is acquiring from U S WEST. Citizens does not presently provide telephone service within the state of Iowa.

U S WEST and Citizens respectfully request that the Federal Communications Commission (“Commission”) expeditiously review and approve this Petition. This Petition raises no new issues of law, is supported by Commission precedent, and the facts involved in this Petition clearly demonstrate that the public interest will be served by an expeditious grant.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
Citizens Telecommunications Company)	
Of Iowa and U S WEST)	
Communications, Inc.)	
)	
Joint Petition for Waivers of the Definition)	AAD-
of "Study Area" Contained in Part 36,)	
Appendix--Glossary of the Commission's)	
Rules)	

JOINT PETITION FOR EXPEDITED WAIVERS

I. INTRODUCTION

U S WEST Communications, Inc. ("U S WEST") has agreed to sell 32 of its Iowa exchanges to Citizens Telecommunications Company of Iowa ("Citizens"). These 32 exchanges collectively serve approximately 52,000 access lines. By this Joint Petition for Expedited Waivers ("Petition"), U S WEST seeks a waiver to delete these 32 exchanges from its Iowa study area. Citizens seeks a waiver to establish a new Iowa study area consisting of the exchanges it is acquiring from U S WEST.

Citizens, a wholly-owned subsidiary of Citizens Communications Company (formerly known as Citizens Utilities Company, Inc.), is seeking to acquire Iowa telecommunications property currently owned and operated by U S WEST. Citizens does not presently provide telephone service within the state of Iowa.

Attachment A contains a list of the 32 exchanges being transferred to Citizens. Also included are two access lines that are presently served by the Estherville exchange and are physically located in Minnesota and five access lines that are presently served by the Hamburg exchange and are physically located in Nebraska.

The Federal Communications Commission (“Commission”) should expeditiously review and approve this Petition. This Petition raises no new issues of law, and the facts involved in this Petition are similar to those involved in similar waiver requests that have been recently approved.¹

II. THE COMMISSION’S STUDY AREA FREEZE SHOULD BE WAIVED

Part 36 of the Commission’s Rules “freezes” the definition of “study area” to the boundaries that were in existence on November 15, 1984.² This “freeze” was due, in part, to the Commission’s concern over the level of interstate cost recovery by local exchange carriers (“LEC”) from the Universal Service Fund (“USF”): “[t]he Commission took that action, in part, to ensure that LECs do not set up high cost

¹ See, e.g., In the Matter of Petition for Waivers Filed by Union Telephone Company, Inc. and U S WEST Communications, Inc. Concerning Section 61.41(c)(2) and 69.3(e)(11) and the Definition of “Study Area” Contained in the Part 36 Appendix-Glossary of the Commission’s Rules, Memorandum Opinion and Order, 12 FCC Rcd. 1840 (1997); In the Matter of Petitions for Waivers Filed by Alpine Communications, L.C., Butler-Bremer Mutual Telephone Company, Clarksville Telephone Company, Dumont Telephone Company, Grand River Mutual Telephone Corporation, Heartland Corporation, South Central Communications, Inc., Universal Communications, Inc., and U S WEST Communications, Inc. Concerning Sections 61.41(c)(2), 69.3(e)(11), 69.3(i)(4), 69.605(c) and the Definition of “Study Area” Contained in the Part 36 Appendix-Glossary of the Commission’s Rules, Memorandum Opinion and Order, 12 FCC Rcd. 2367 (1997).

² See 47 C.F.R. Part 36, Appendix--Glossary.

exchanges within their existing service territories as separate study areas to maximize high cost support.”³ At the same time, the Commission recognized that its rules were not aimed at discouraging “the acquisition of high cost exchanges or the expansion of service to cover high cost areas.”⁴ Indeed, the Commission’s Common Carrier Bureau (“Bureau”) has implemented this policy decision by holding that changes in study areas that “result from the purchase or sale of exchanges in arms-length transactions” “do not conflict” with the concerns prompting the study area freeze.⁵

The Commission has also established a three-prong test for deciding whether study area waivers should be granted. The Commission should approve such waiver requests if it determines:

[F]irst, that the change will not affect adversely the USF support program;

³ In the Matter of U S WEST Communications, Inc. and Eagle Telecommunications, Inc. Joint Petition for Waiver of the Definition of “Study Area” Contained in Part 36, Appendix-Glossary of the Commission’s Rules and Eagle Telecommunications, Inc. Petition for Waiver of Section 61.41(c) of the Commission’s Rules, Memorandum Opinion and Order, 10 FCC Rcd. 1771, 1773 ¶ 10 (1995) (“Eagle Decision”), citing In the Matter of MTS and WATS Market Structure, Amendment of Part 67 of the Rules, and Establishment of a Joint Board, CC Docket Nos. 78-72 and 80-286, 50 Fed. Reg. 939 (Jan. 8, 1985).

⁴ In the Matter of MTS and WATS Market Structure, Amendment of Part 67 of the Commission’s Rules and Establishment of a Joint Board, CC Docket Nos. 78-72 and 80-286, 49 Fed. Reg. 48325, 48337 ¶ 65 (Dec. 12, 1984).

⁵ In the Matter of Contel of the West Petition for Waiver of Section 36.125(f), Sections 36.154(e)(1) and (2), and the Definition of “Study Area” contained in Part 36, Appendix-Glossary, of the Commission’s Rules, Oregon-Idaho Utilities, Inc., Petition for Waiver of the Definition of “Study Area” contained in Part 36, Appendix-Glossary, of the Commission’s Rules, Memorandum Opinion and Order, 5 FCC Rcd. 4570, 4571 ¶ 9 (1990) (emphasis added).

[S]econd, that the state commission having regulatory authority does not object to the change; and

[F]inally, that the public interest supports grant of the waiver.⁶

As demonstrated herein, the primary concern prompting the “freeze” in study areas is not an issue in this transaction, and the Commission’s three-prong test will be satisfied. Accordingly, U S WEST and Citizens respectfully request that the Commission grant the study area waivers permitting: (1) U S WEST to remove these 32 exchanges at issue from its Iowa study area; and (2) the affiliation of these exchanges within Citizens’ newly-established Iowa study area.

A. The USF Impact Arising From This Transaction

Since carriers purchasing high-cost exchanges can only receive the same level of support per line as the seller received prior to the sale, there can, by definition, be no USF impact in these transactions. Citizens will receive the same amount of support as U S WEST currently receives in these 32 Iowa exchanges, so this transaction is a non-event for purposes of the USF.⁷ **With regard to the new Interstate Access Universal Service Support program, U S WEST will not be receiving support in Iowa. Iowa has not deaveraged the unbundled network elements (“UNE”) at this time but even after it does, it is not**

⁶ See, Eagle Decision, 10 FCC Rcd. at 1772 ¶ 5 (footnotes omitted).

⁷ In the Matter of Federal-State Joint Board on Universal Service, Report and Order, 12 FCC Rcd. 8776, 8942-943 ¶ 308 (1997); aff’d, rev’d and remanded in part sub nom. Texas Office of Public Utility Counsel v. FCC, 183 F.3d 393 (5th Cir. 1999); pets. for reh’g. and reh’g. en banc denied, Sep. 28, 1999, mandate issued Nov. 2, 1999; pet. for cert. granted, S. Ct. No. 99-1244.

anticipated that U S WEST or the exchanges being sold to Citizens will receive support.

B. Neither The Iowa, The Nebraska, Nor The Minnesota
State Commissions Object To The Proposed Change
In Study Area Boundaries

On May 5, 2000, the State of Iowa Department of Commerce Utilities Board (“Iowa SUB”) issued an Order approving the sale of these 32 exchanges. In its Order, the Iowa SUB stated “The Board does not object to the request by Applicants that a study area waiver be granted by the [Commission].”⁸

On June 15, 2000 the Minnesota Public Utilities Commission issued a letter agreeing with and adopting the Minnesota Department of Commerce’s recommendation that an order be issued indicating no objection to the Commission granting study area waivers to U S WEST for the Estherville, Iowa exchange.⁹

On March 21, 2000 the Nebraska Public Service Commission issued a letter stating that it “. . . does not object to the [Commission] granting study area waivers

⁸ See State of Iowa Department of Commerce Utilities Board, In re: U S WEST Communications, Inc., and Citizens Telecommunications Company of Iowa, Docket Nos. SPU-99-31 and WRU-00-29-3047, Order Approving Partial Settlement Agreement, Not Disapproving Proposed Reorganization, Authorizing Transfer of Certificate, Allowing Discontinuance of Service, Waiving 199 IAC 18.2, Designating as Eligible Telecommunications Carrier, and Permitting Adoption of Price Plan, issued May 5, 2000 at 13 attached hereto as Exhibit 1.

⁹ See Minnesota Public Utilities Commission Order dated June 15, 2000, Docket No. P-5316, 421/M-00-290, attached hereto as Exhibit 1.

nor to any configuration of study area boundaries involving the Nebraska portion of the Hamburg, Iowa exchange.”¹⁰

C. The Public Interest Will Be Served By Grant Of
The “Study Area” Waiver Requested Herein

Citizens plans to invest approximately \$28 million in the 32 exchanges it is purchasing during the first three years of ownership. While some of this capital investment will be used to perform maintenance, the remainder will be used to upgrade the network to provide enhanced services. Citizens plans to provide broadband/digital subscriber line services in the future when there is sufficient demand to make it possible to provide these services at an affordable cost.

Citizens has provided a description of the to-be-acquired service areas, as well as its proposed operations and upgrades associated with the to-be-acquired exchanges.¹¹ Moreover, Citizens and U S WEST have fully provided the information associated with their respective portions of the transaction as recommended by the Bureau.¹²

In light of the above, U S WEST and Citizens believe that the public interest would be served by the granting of the study area waivers requested herein.

III. CONCLUSION

¹⁰ See Nebraska Public Service Commission letter to Katherine Schroder, Federal Communications Commission, dated Mar. 21, 2000 attached hereto as Exhibit 1.

¹¹ See Attachment B.

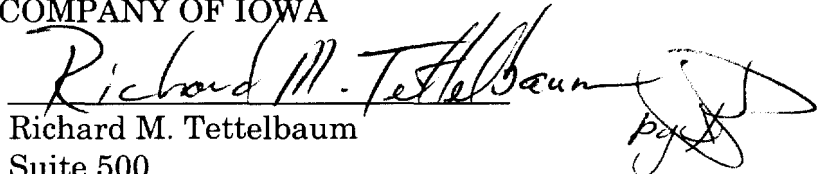
¹² See, Public Notice, Common Carrier Bureau Establishes Expedited Processing Procedures for Petitioners Seeking Part 36 Study Area Waivers, 10 FCC Rcd. 13228 (1995). Citizens’ specific information is provided herein as Attachment B.

For the reasons stated herein, U S WEST and Citizens respectfully request that the Commission expeditiously review and approve this Petition. This Petition raises no new issues of law, is supported by Commission precedent, and the facts involved in this Petition clearly demonstrate that the public interest will be served by such an expeditious grant. U S WEST and Citizens respectfully submit that an expeditious grant of this Petition will serve the public interest by affording the residential and business customers of these rural exchanges the benefits of the planned transfers.

Respectfully submitted,

CITIZENS TELECOMMUNICATIONS
COMPANY OF IOWA


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By:


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Its Attorney

Of Counsel,
Dan L. Poole

June 20, 2000

ATTACHMENT A

LIST OF THE IOWA EXCHANGES AND ACCESS LINES

Exchange	CLLI	Lines
Algona	ALGNIATC	4,796
Anthon	ANTHIACO	627
Blairsburg	BRBGIACO	287
Britt	BRTTIACO	1,572
Cherokee	CHRKIACO	4,287
Correctionville	CCVLIACO	673
Danbury	DNBRIACO	459
Estherville	ESVLIACO	4,562
Garner	GRNRIACO	2,266
Gilmore City	GLCYIACO	611
Hamburg	HMBGIACO	1,045
Humboldt	HMBLIACO	4,364
Jewell	JEWLIACO	871
Lansing	LNNGIACO	999
Laurens	LRNSIACO	1,188
Livermore	LVMRIACO	914
Luverne	LVRNIACO	327
Manly	MNLYIACO	898
Mapleton	MPTNIACO	1,119
Nashua	NASHIACO	1,351
Northwood	NWODIACO	1,754
Onawa	ONAWIACO	2,436
Pocahontas	PCHNIACO	1,621
Renwick	RNWCIAACO	409
Sioux Rapids	SXRPIACO	696
Storm Lake-Alta*	STLKIATC	8,095
Stuart	STRTIACO	1,477
Wesley	WSLYIACO	457
Whiting	WHNGIACO	580
Whittemore	WHMRIACO	532
Williams	WLMSIACO	461

*The Storm Lake wire center includes the Storm Lake and Alta Exchanges

ATTACHMENT B

RESPONSE OF U S WEST COMMUNICATIONS, INC. ("U S WEST") AND CITIZENS TELECOMMUNICATIONS COMPANY OF IOWA ("CITIZENS") TO THE COMMON CARRIER BUREAU'S LIST OF INFORMATION TO ACCOMPANY STUDY AREA WAIVER REQUESTS

1. A copy of the order, or other certified document, that states that the state telecommunications regulatory authority does not object to the requested study area waiver.

Response:

See Exhibit 1.

2. A copy of any order adopted by, or plan imposed by, a state commission that obligates the selling and/or purchasing local exchange carrier ("LEC") to upgrade or extend existing service.

Response:

There is no applicable state commission order or plan that creates an obligation on U S WEST to upgrade or extend existing service.

Citizens has expressed an intent to upgrade service in the Iowa exchanges it is purchasing from U S WEST. See Exhibit 1.

3. A statement by the purchaser of all planned upgrades to the facilities being acquired with estimates of the costs of those upgrades. That statement should include detailed descriptions of all planned upgrades and extensions of service, the costs of the planned upgrades and extensions of service, proposed timetables for any upgrades, proposed timetables for extension of service, and construction and investment plans.

Response:

Citizens plans to invest approximately \$28 million in the 32 exchanges it is purchasing during the first three years of ownership. While some of this capital investment will be used to perform maintenance, the remainder will be used to upgrade the network to provide enhanced services. Citizens plans to provide broadband/digital subscriber line services in the future when there is sufficient demand to make it possible to provide these services at an affordable cost.

4. The numerical effects of the proposed transaction on the Universal Service Fund ("USF"). To isolate those effects, estimates should be provided of the seller's and purchaser's

USF draw (i.e., receipts from the USF administrator) as if the transferred exchanges (and, in the case of the seller, the remaining exchanges) were set up as a separate study area before and after the planned upgrades. Complete copies of all studies performed in estimating these effects should be included. The studies should be accompanied by an explanation of the extent to which the studies include, and exclude, the effects of any state orders, or buyer-planned upgrades and/or extensions of service.

Response:

U S WEST currently receives no USF in its Iowa study area and after the sale of the proposed exchange will receive no USF. **With regard to the new Interstate Access Universal Service Support program, U S WEST will not be receiving support in Iowa. Iowa has not deaveraged the UNEs at this time but even after it does, it is not anticipated that U S WEST or the exchanges being sold to Citizens will receive support.**

Citizens' estimated cost per loop, under the current methodology, would qualify this study area for \$5,432,081 of high cost support. Federal Communications Commission rules require that the USF High Cost fund impact will remain revenue neutral. Thus Citizens' USF draw will be zero dollars.

5. If the proposed transaction will increase the USF draw of either the seller or the purchaser, the extent to which local ratepayers will assume the costs of planned upgrades and the extent to which local ratepayers will assume the costs of planned extensions of service.

Response:

For the six month period following the Closing Date, Citizens will adopt and maintain intrastate tariffs similar in all material respects to U S WEST's intrastate tariffs in effect for the exchanges on the Closing Date.

6. All accounting entries, using actual dollar amounts, if known, and estimated dollar amounts if not known, that the seller and purchaser intend to use to record the transaction for accounting purposes.

Response:

Please refer to Appendix A for an illustration of the accounting entries both U S WEST and Citizens plan to use for the contemplated transaction.

7. The buyer's plan for disposition of amounts recorded in Account 32.2005, Telecommunications Plant Adjustment, related to the purchase.

Response:

Citizens does not intend to request permission to record amortization of amounts in Account 32.2005, Telecommunications Plant Adjustment to Account 6565, Amortization Expense - Other.

8. A schedule, prepared by the seller, of the plant being sold that includes: the gross book value, accumulated depreciation, and dates of installation of the plant that is subject to the transaction.

Response:

The age distribution of the plant by account is included in Appendix B.

9. The interstate separations factors applicable to the seller's remaining plant, and the interstate separation factors that will be applicable to the transferred plant when acquired by the purchaser.

Response:

For U S WEST, the 1999 interstate ratio of Dial Equipment Minutes for Iowa prior to the sale is 14.11%; for the exchanges being sold to Citizens is 15.85%, and for the remaining Iowa exchanges is 14.05%. The 1999 Subscriber Plant Factor is 0.25.

For Citizens, the 1999 interstate ratio of Dial Equipment Minutes for the Iowa exchanges unweighted is 15.85%.

10. Pro-forma revenue requirement calculations (interstate, intrastate and total), pre-sale and post-sale, for both the buying and selling LECs.

Response:

U S WEST's accounting system does not track financial results on an exchange basis. These amounts are based on a current estimate of the book value of the assets and U S WEST cost estimates. Certain cost estimates are the result of allocations among the exchanges. Assets do not include additional investments, retirements, depreciation or adjustments which will be made in the period interim to the sale closing. These estimates do not represent complete costs which will be appropriately determined by the buyer. U S WEST's estimated 1999 Interstate Revenue Requirement for the exchanges being sold to Citizens is calculated as follows:

**Total State Revenue Requirement
Analysis is "pre-Sale"**

*Estimates based on 1999 Results

	Intrastate	Interstate	Combined
Average Net Investment (Rate Base)	418,097,000	182,118,000	600,215,000
Return on Investment	42,821,495	20,488,275	63,309,770
Operating Expense	328,761,000	127,163,000	455,924,000
Total Taxes	16,347,189	8,163,840	24,511,030
Total Revenue Requirement	387,929,684	155,815,115	543,744,800

**Revenue Requirement Analysis of Rural
Exchanges to be Sold**

Based on 1999 Results

Average Net Investment (Rate Base)	22,310,202	8,221,473	30,531,676
Return on Investment	2,285,011	924,916	3,209,927
Operating Expense	13,692,688	5,261,585	18,954,273
Total Taxes	1,122,504	448,420	1,570,923
Total Revenue Requirement	17,100,202	6,634,920	23,735,123

**Total Sales Revenue Requirement
Analysis "Post Sale"**

Estimated 1999 "Post Sale" Results

Average Net Investment (Rate Base)	395,786,798	173,896,527	569,683,324
Return on Investment	40,536,484	19,563,359	60,099,843
Operating Expense	315,068,312	121,901,415	436,969,727
Total Taxes	15,224,686	7,715,421	22,940,106
Total Revenue Requirements	370,829,482	149,180,195	520,009,677

*Iowa currently does not have rate of return regulation and the resulting revenue requirement calculation on Intrastate operations. Intrastate estimates provided are based on 1999 results and the last applicable Intrastate ROR of 10.24%.

Citizens – Iowa
FCC Filing
Revenue Requirement Summary

<u>Description</u>	<u>Intrastate</u>	<u>Interstate</u>	<u>Combined</u>
<u>2000 Pre-Sale:</u>			
Average Net Investment (Rate Base)	0	0	0
Return on Investment	0	0	0
Operating Expense	0	0	0
Total Taxes	0	0	0
Total Revenue Requirement	0	0	0

Estimated Post Sale:*

Average Net Investment (Rate Base)	47,094,701	14,799,414	61,894,115
Return on Investment	5,298,154	1,664,934	6,963,088
Operating Expense	26,860,167	7,622,752	34,482,919
Total Taxes	4,629,718	1,295,630	5,925,348
Total Revenue Requirement	36,788,039	10,583,316	47,371,355

*Reflects estimate after first full year of operation.

11. The number of access lines: (i) presently provided in the seller's study area; (ii) presently provided by the purchaser in each study area in that state; and (iii) that will be transferred.

Response:

U S WEST has approximately 1,070,000 access lines in the State of Iowa. Citizens does not have any lines in Iowa. Approximately 52,000 access lines are being transferred to Citizens as a result of the proposed transaction.

12. A map on which each of the following areas has been clearly outlined: (i) the service areas of the exchanges being transferred; (ii) the pre-transfer study area boundaries of the seller; and (iii) the study area boundaries of all study areas that the purchaser (and/or its affiliates) own in the state in which the exchanges are to be transferred are located.

Response:

See Attachment C.

APPENDIX A

SUMMARY OF ACCOUNTING ENTRIES (000)

U S WEST (SELLER'S BOOKS):

Debit Cash (Account 1120)	114,217
Debit Accumulated Depreciation (Account 3100)	62,068
Credit Plant in Service (Account 2001)	97,782
Credit Gain (Account 7350)	78,504

These amounts are based on a current estimate of the book value of the assets. The entries are the cost of assets being sold at a point in time prior to the sale closing. As such they do not include additional investments, retirements, depreciation or adjustments which will be made in the period interim to the sale closing. Cash entries are based on the Agreement For Purchase And Sale of Iowa dated June 16, 1999. These do not represent final cash or asset distributions within the buying group. Until final closing these entries are preliminary and based on U S WEST estimates only.

CITIZENS (BUYER'S BOOKS):

Debit Plant in Service (Account 2001)	97,782
Debit Telecommunications Plant Adjustment (Account 2005)	78,504
Credit Cash (Account 1120)	114,217
Credit Depreciation Reserve (Appropriate Plant Accounts)	62,068

The amounts above are based on the most current estimate of the sales price and net book value of the investment. The purchase agreement provides for numerous purchase price adjustments. The price at closing, therefore, may be higher or lower than our estimates listed above. The above entries deal only with the current cost of assets being sold and do not include additional investments which will be made by Citizens or U S WEST prior to the sale.

APPENDIX B

AGE DISTRIBUTION OF PLANT

ACCUMULATED DEPRECIATION AMOUNTS

2111 Land	10,844	4,869	1,407	23,758	16,364	27,151	2,224	9,735	2,243	27,987	5,020
2112 Motor Vehicles	33,536	0	0	0	0	735	0	21,961	0	3,978	0
2113 Aircraft	0	0	0	0	0	0	0	0	0	0	0
2114 Special Purpose Vehicles	0	0	0	0	0	0	0	0	0	0	0
2115 Garage Work Equip.	0	0	0	0	0	0	0	0	0	0	0
2116 Other Work Equip.	7,346	0	0	0	0	9,446	0	8,332	0	0	0
2121 Buildings	469,288	66,536	55,907	107,490	272,164	313,838	40,980	258,652	60,165	383,895	140,872
2122 Furniture	0	0	0	0	0	0	0	0	0	0	0
2122 Artworks	0	0	0	0	0	0	0	0	0	0	0
2123.1 Office Equipment	0	0	0	0	0	0	0	0	0	0	0
2123.2 Company Comm. Equip.	9,632	0	0	0	0	0	0	0	0	0	0
2124 General Purpose Computers	2,313	0	0	0	0	0	0	1,472	0	74	0
2211 Analog Electronic Switching	25	0	0	0	0	0	0	0	0	0	0
2212 Digital Electronic Switching	851,761	144,013	76,523	243,531	88,092	524,918	133,039	268,124	157,161	260,645	144,080
2215.1 Step By Step Switching Eq.	0	0	0	0	0	0	0	0	0	0	0
2215.2 Crossbar Switching Eq.	0	0	0	0	0	0	0	0	0	0	0
2220 Operator Systems	0	0	0	0	0	0	0	0	0	0	0
2231 Radio Systems	0	0	0	0	48,861	0	0	0	0	2,788	0
2232 Circuit DDS	10,004	0	0	0	0	0	0	2,458	0	653	0
2232 Circuit Digital	576,288	34,120	58,597	75,060	122,590	211,343	61,956	138,342	34,006	130,453	80,815
2232 Circuit Analog	4,013	5,710	4,003	7,482	2,255	30,849	2,594	747	960	5,382	1,483
2351 Pub. Tel. Terminal Equip.	0	0	0	0	0	0	0	0	0	0	0
2362 Other Terminal Equip.	0	0	0	0	0	0	0	0	0	0	0
2411 Poles	1,334	697	0	0	533	2,025	0	0	0	728	0
2421 Aerial Cable Metallic	9,617	6,734	0	52	824	33,400	1,424	2,511	0	2	67
2421 Aerial Cable Non Metallic	0	0	0	0	0	0	0	0	0	0	0
2422 Underground Cable Metallic	117,968	0	0	1,919	1,932	115,258	0	55,105	51	10,506	1,667
2422 Underground Cable Non Metallic	64,125	0	3,066	2,421	662	73,714	0	6,293	0	10,842	1,087
2423 Buried Cable Metallic	720,185	183,646	70,168	279,915	133,024	778,800	175,128	1,122,397	258,779	346,791	383,553
2423 Buried Cable Non Metallic	645,183	68,738	0	144,009	117,543	850,702	36,512	1,071,637	41,864	343,382	173,552
2424 Submarine Cable Metallic	0	0	0	0	0	6,068	0	0	0	0	0
2424 Submarine Cable Non Metallic	0	0	0	0	0	0	0	0	0	0	0
2426 Intra Bldg Cable Metallic	5,890	0	172	545	484	8,490	0	9,314	0	1,250	936
2426 Intra Bldg Cable Non Metallic	484	0	0	0	0	0	0	0	0	0	0
2431 Aerial Wire	0	0	0	0	0	0	0	0	0	0	0
2441 Conduit Systems	167,769	217	0	6,242	5,541	317,673	0	79,317	0	9,134	10,333
Total MR Net Book	3,707,607	515,280	269,844	892,425	810,868	3,304,412	453,857	3,056,398	555,229	1,538,489	943,466

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
2111 Land	0	0	0	0	0	0	0	0	0	0	0	0
2112 Motor Vehicles	37,991	0	0	0	0	0	26,356	0	16,742	0	13,850	0
2113 Aircraft	0	0	0	0	0	0	0	0	0	0	0	0
2114 Special Purpose Vehicles	0	0	0	0	0	0	0	0	0	0	0	0
2115 Garage Work Equip.	0	0	0	0	0	0	0	0	0	0	0	0
2116 Other Work Equip.	654	0	0	0	0	0	1,234	0	751	0	0	0
2121 Buildings	139,810	17,880	14,619	29,844	81,955	143,706	9,987	123,450	17,303	140,469	54,977	
2122 Furniture	0	0	0	0	0	0	0	0	0	0	0	0
2122 Artworks	0	0	0	0	0	0	0	0	0	0	0	0
2123.1 Office Equipment	0	0	0	0	0	0	0	0	0	0	0	0
2123.2 Company Comm. Equip.	13,063	0	0	0	0	0	0	0	0	0	0	0
2124 General Purpose Computers	2,914	0	0	0	0	0	0	8,524	0	1,779	0	0
2211 Analog Electronic Switching	126	0	0	0	0	0	0	0	0	0	0	0
2212 Digital Electronic Switching	1,107,216	123,155	115,690	212,122	154,027	774,542	100,041	364,113	125,261	246,703	148,594	
2215.1 Step By Step Switching Eq.	0	0	0	0	0	0	0	0	0	0	0	0
2215.2 Crossbar Switching Eq.	0	0	0	0	0	0	0	0	0	0	0	0
2220 Operator Systems	0	0	0	0	0	0	0	0	0	0	0	0
2231 Radio Systems	0	0	0	0	365,593	0	0	0	0	17,906	0	0
2232 Circuit DDS	15,882	0	0	0	0	0	0	3,429	0	1,955	0	0
2232 Circuit Digital	1,526,202	88,278	207,536	192,417	673,531	637,129	153,389	380,708	81,424	377,139	163,878	
2232 Circuit Analog	206,891	30,787	8,635	52,881	20,448	253,885	3,994	169,642	3,770	100,293	15,327	
2351 Pub. Tel. Terminal Equip.	0	0	0	0	0	0	0	0	0	0	0	0
2362 Other Terminal Equip.	0	0	0	0	0	3,001	0	4,319	0	0	0	0
2411 Poles	22,072	3,658	1,835	1,227	4,386	29,308	5,177	25,760	7,042	12,373	10,232	
2421 Aerial Cable Metallic	26,648	4,354	732	2,647	12,770	86,791	7,106	30,660	0	2,071	6,298	
2421 Aerial Cable Non Metallic	0	0	0	0	0	0	0	0	0	0	0	0
2422 Underground Cable Metallic	111,195	0	0	7,191	18,063	131,924	0	107,584	2	46,064	3,950	
2422 Underground Cable Non Metallic	48,905	0	3,786	1,668	456	66,703	0	3,440	0	5,926	749	
2423 Buried Cable Metallic	2,290,539	624,843	338,151	1,167,179	634,349	2,405,956	457,809	2,280,138	606,548	959,794	894,093	
2423 Buried Cable Non Metallic	612,942	38,457	0	80,535	96,039	668,861	24,961	479,721	23,422	191,858	94,079	
2424 Submarine Cable Metallic	0	0	0	0	0	30,929	0	5,903	0	0	0	0
2424 Submarine Cable Non Metallic	0	0	0	0	0	0	0	0	0	0	0	0
2426 Intra Bldg Cable Metallic	21,958	203	32	2,608	262	9,921	0	13,214	6	7,197	1,444	
2426 Intra Bldg Cable Non Metallic	75	0	0	0	0	0	0	0	0	0	0	0
2431 Aerial Wire	926	530	0	0	0	0	797	211	0	590	403	
2441 Conduit Systems	86,857	226	0	5,985	10,061	72,762	0	70,138	0	19,475	15,423	
Total MR Reserve	6,272,865	932,372	691,015	1,756,306	2,071,940	5,343,007	763,260	4,088,447	864,778	2,145,443	1,409,446	

12,697	1,864	2,574	7,394	1,164	2,734	2,735	4,302	3,030	4,238	9,971	3,189	1,350	22,021
16,629	0	0	0	0	0	0	0	0	0	0	5,691	0	6,236
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
118,705	0	0	0	0	0	0	0	0	0	52,013	2,016	0	21,751
230,064	56,479	44,740	96,592	116,657	53,814	36,078	84,395	32,154	87,323	141,693	205,713	41,926	744,517
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
4,497	0	0	0	0	0	0	0	0	0	464	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	4,924
0	0	0	0	0	0	0	0	0	0	0	0	0	0
345,892	196,561	136,269	190,968	173,626	110,049	204,611	172,404	202,128	258,963	265,545	185,397	106,983	1,550,876
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
77	0	0	0	0	0	0	0	0	0	0	0	0	0
2,317	0	0	0	0	0	268	0	0	0	340	1,579	0	35,224
133,902	30,099	84,072	51,522	62,418	31,424	64,756	64,039	39,161	77,824	389,348	83,775	36,205	6,345
8,176	0	0	3,521	484	969	1,546	27,388	155	7,064	10,719	4,434	2,421	241,372
0	0	0	0	0	0	0	0	0	0	0	0	0	42,640
1	0	0	0	0	0	17,626	0	0	0	98	0	0	0
0	0	2,167	0	0	0	0	2,210	47	0	0	214	0	898
1,734	203	52,493	0	0	0	0	2,474	1,957	19	1,154	134	0	109
0	0	0	0	0	0	0	0	0	0	0	0	0	62,146
50,175	0	0	0	0	0	0	474	0	4,054	1,223	4,686	0	0
30,471	0	8,874	49	0	0	0	1,363	0	0	0	7,559	0	118,944
649,301	115,695	386,552	259,760	211,469	80,905	109,105	160,323	373,745	278,675	384,893	235,590	120,834	63,167
182,417	0	377,513	79,894	202,014	96,133	8,421	275,756	76	0	134,639	211,327	88,152	1,501,618
0	0	0	0	0	0	0	0	0	0	0	0	0	646,976
0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,052	431	145	1,533	11	0	53	1,333	356	2,616	2,124	1,436	0	0
0	0	3,758	0	0	0	5,487	0	0	0	0	0	0	11,544
0	0	0	0	0	0	0	0	0	0	0	0	0	3,230
56,556	508	45,150	11,648	40	686	0	3,330	8,132	14,616	18,201	3,985	0	48
1,845,662	401,840	1,144,308	702,880	767,882	376,714	450,685	799,791	660,941	735,392	1,412,425	956,724	397,870	5,260,404

0	0	0	0	0	0	0	0	0	0	0	0	0	0
101,214	0	0	0	0	0	0	0	0	0	0	13,150	0	73,571
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,307	0	0	0	0	0	0	0	0	0	4,650	264	0	2,680
63,073	10,979	13,851	24,730	32,737	16,040	15,445	28,434	11,890	26,895	60,608	57,825	11,977	326,413
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
15,256	0	0	0	0	0	0	0	0	0	1,771	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	14,316
0	0	0	0	0	0	0	0	0	0	0	0	0	0
411,906	148,446	95,081	246,525	277,817	100,421	282,677	199,814	184,919	286,090	282,250	202,710	102,052	1,476,983
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0
249	0	0	0	0	0	0	0	0	0	0	0	0	0
3,438	0	0	0	0	0	420	0	0	0	701	3,060	0	274,242
315,294	111,100	146,526	209,929	104,359	90,985	147,764	145,381	74,176	162,140	445,642	329,473	90,584	11,024
91,106	4,773	22,951	31,260	46,495	5,173	11,275	107,492	24,728	37,458	151,972	65,104	10,043	695,787
0	0	0	0	0	0	0	0	0	0	0	0	0	383,417
63,921	0	745	0	0	0	16,221	0	0	0	923	2,187	0	0
9,849	3,115	25,870	11,694	3,634	398	3,441	17,147	3,182	6,187	14,962	7,085	267	222
3,896	10,227	92,305	366	0	0	4,028	27,204	5,631	7,946	22,751	6,061	72	43,884
0	0	0	0	0	0	0	0	0	0	0	0	0	122,643
153,590	0	0	0	0	0	0	4,189	332	25,651	19,122	14,455	0	0
23,610	0	4,747	2	0	0	0	1,157	0	0	0	2,203	0	350,706
2,204,437	445,942	508,442	887,462	1,198,573	386,789	546,413	622,236	1,076,051	1,216,938	1,305,648	954,950	567,491	25,293
114,419	0	164,828	125,278	138,104	65,720	2,919	188,517	7	0	92,044	245,856	49,319	4,180,737
0	0	0	0	0	0	0	0	0	0	0	0	0	100,461
0	0	0	0	0	0	0	0	0	0	0	0	0	44,548
0	0	0	0	0	0	0	0	0	0	0	0	0	0
10,667	213	1,430	2,801	24	41	517	1,243	939	1,615	4,338	5,500	0	48,292
0	0	218	0	0	0	844	0	0	0	0	0	0	608
0	11,849	0	196	0	0	0	0	0	1,371	0	0	0	16,177
90,132	357	7,910	4,806	90	376	0	5,129	4,822	31,219	26,953	5,475	0	158,525
3,686,362	747,001	1,084,905	1,545,049	1,801,833	665,944	1,031,963	1,347,941	1,386,678	1,803,510	2,434,334	1,915,358	831,805	8,350,529

5,246	1,330	1,330	911	1,914	10,741	232,339
0	0	0	0	0	0	88,765
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	219,609
335,761	85,705	62,572	55,226	92,712	289,948	5,063,855
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	10,096
0	0	0	0	0	0	13,281
0	0	0	0	0	0	25
205,076	103,192	132,001	129,170	66,515	112,262	7,740,374
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	45	86,994
860	0	0	0	0	0	24,825
80,345	81,865	47,607	64,156	14,644	36,806	3,238,911
6,515	465	1,733	35	243	5,172	189,155
0	0	0	0	0	0	0
0	0	0	0	0	0	18,623
224	0	0	0	0	0	10,289
6,726	0	0	1,636	0	0	185,309
0	0	0	0	0	0	0
55,439	1,228	0	0	0	0	540,626
0	75	0	0	0	0	273,768
725,011	194,858	92,943	353,348	199,781	205,980	11,092,773
211,792	54,749	59,641	0	29,509	56,533	6,208,662
0	0	0	0	0	0	6,068
0	0	0	0	0	0	0
1,079	1,219	0	878	230	1	54,123
0	234	0	0	0	0	13,193
0	0	0	0	0	42	90
12,302	0	543	1,768	0	0	949,511
1,646,376	524,919	398,369	607,129	405,548	717,530	36,261,263

0	0	0	0	0	0	0
0	0	0	0	0	0	282,875
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	20,538
135,314	21,051	17,010	14,495	29,972	106,310	1,799,049
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	14,834
0	0	0	0	0	0	42,788
0	0	0	0	0	0	126
232,721	144,554	109,484	109,432	112,417	141,153	8,618,916
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	454	658,445
1,629	0	0	0	0	0	41,537
284,987	234,053	139,788	138,854	62,643	173,806	8,584,902
84,190	13,984	11,857	51,112	4,007	23,655	2,048,607
0	0	0	0	0	0	0
0	0	0	0	0	0	91,540
15,974	220	742	2,689	2,637	310	296,355
58,391	564	0	19,425	0	0	561,587
0	0	0	0	0	0	0
43,711	8,807	0	0	0	0	1,046,536
0	8	0	0	0	0	188,653
849,253	482,768	406,924	607,362	410,468	1,015,881	32,534,162
23,643	9,380	33,368	0	5,056	38,648	3,708,446
7,338	3,582	0	0	0	0	92,299
0	0	0	0	0	0	0
447	691	10	734	898	152	137,395
0	58	0	0	0	0	1,802
0	2,365	0	0	0	41	35,456
96,069	0	298	1,016	0	0	714,103
1,833,668	922,086	719,481	945,119	628,098	1,500,411	61,520,953